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State's Economy Marks Improvement in May

Gains Concentrated in Service Sector

The Pennsylvania economy advanced at a moderate rate in May. The index of coincidental indicators rose a modest 0.4 percent, and the leading index advanced 0.5 percent.

The service-producing sector expanded while industries in the goods-producing sector failed to make any marked progress. Nevertheless, the manufacturing, mining and construction industry groups, which compose the goods-producing sector, remained in a good position for gains in the following months.

Employment levels in all major service-producing industries increased in May. The overall job level in these industries reached a new all-time high, fueled by record levels in the financial and miscellaneous services industry groups.

In this sector, only the transportation industry group and state and local government had job levels below the levels prevailing in 1979, before the two most recent recessions.

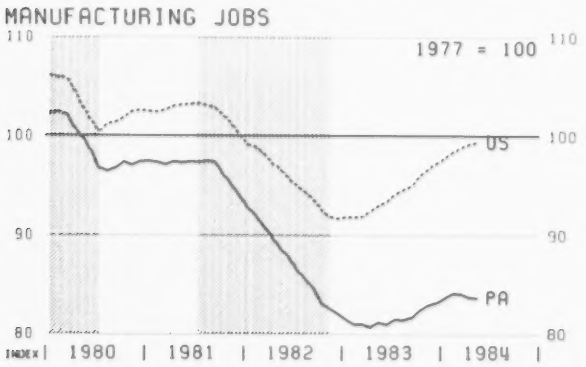
Besides transportation, financial and miscellaneous services, and state and local government, the service-producing sector includes public utilities, wholesale and retail trade, and the federal government.

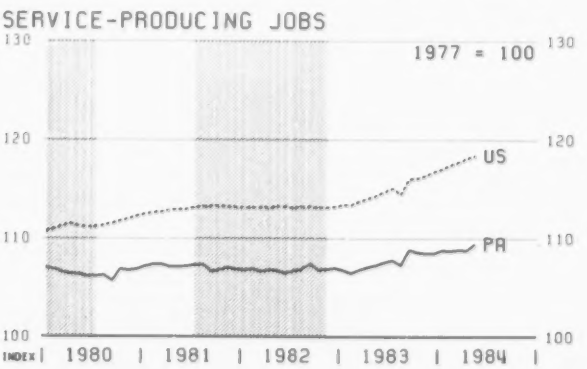
The job level in the state's durable goods manufacturing industries rose 0.2 percent after seasonal adjustment. But a 0.6 percent decline in the seasonally adjusted job level of the state's nondurable goods factories brought the total manufacturing job level down 0.1 percent.

May's decline in the state's factory employment, the third in a row, follows a 0.4 percent decline in April and a 0.1 percent decline in March.

Employers have been cautious in hiring during the current recovery. The average length of the factory workweek has been above 40 hours since the beginning of the year. Typically, persistent overtime leads to employment increases, but significant increases in the state's manufacturing employment level have yet to materialize.

In May, the seasonally adjusted level of factory employment was only 3.6 percent above the recession low registered in April 1983 and remained almost 20





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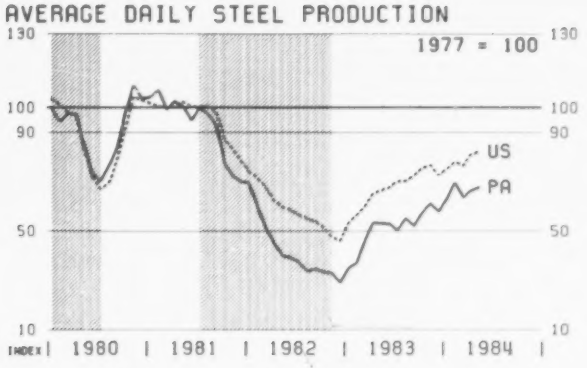

percent below the 1979 average.

Total factory payrolls have also been kept in check so far this year, leveling off since February at about $290 million. After adjustment for inflation and regular seasonal variation, the factory payroll level in May was just 73 percent of the average level for 1979.

Employment in the state's mines fell 0.5 percent in May. This was the third consecutive decline in this measure, but it remained 7.6 percent above the most recent low, registered in September 1983.

Production of both anthracite and bituminous coal has picked up from recession levels. In May, a seasonally adjusted 419,300 net tons of anthracite coal was mined. This was 50 percent more than the low in February of 1983.

A seasonally adjusted 6.3 million net tons of bituminous coal was mined in the state in April — the latest month for which we have data — representing a gain of almost one-third over the amount mined in February 1983.

The contract construction industry gained less than the seasonally expected number of jobs in May. However, continued gains in contract awards indicate possible employment increases in the months to follow.

Both residential and nonresidential building awards

Economic Activity in Pennsylvania	1984 Apr.	1984 May	1983 May	Seasonally Adjusted Indexes (1977 = 100) 1984 Apr.	1984 May	1983 May
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)[1]	4,591.*	4,639.	4,538.	100.5*	100.9	98.6
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,466.*	3,511.	3,442.	107.5*	108.0	105.9
Manufacturing						
No. of wage and salaried jobs (thous.)	1,121.*	1,123.	1,090.	83.7*	83.6	81.1
Ave. wkly. hrs. worked by prod. workers	40.2*	40.1	39.2	102.2*	101.6	99.2
Total wkly. person-hours worked (mils.)	31.2*	31.2	29.0	81.8*	81.1	75.6
Total wkly. payroll (mil. dols.)	290.1*	289.7	257.4	130.3*	129.1	114.7
Steel production (thous. tons)	1,557.	1,583.	1,238.	66.	68.	53.
Industrial electric power sales (mil. kwh)	3,688.	3,659.	3,274.	99.	102.	90.
Mining						
Anthracite coal (thous. net tons)	358.	401.	277.	79.	86.	61.
Bituminous coal (thous. net tons)	5,948.	n.a.	4,953.†	90.	n.a.	75.†
Construction contracts awarded (mil. dols.)						
Total	558.9	607.0	390.2*	158.	171.	108.*
Residential building	210.6	309.3	208.7*	119.	177.	121.*
Other building	154.1	179.4	85.4*	141.	199.	98.*
Nonbuilding (utilities and public works)	194.2	118.4	96.1*	261.	116.	98.*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,829.	4,956.	4,782.	101.5	103.9	100.2
Unemployed						
No. of persons (thous.)	488.	473.	661.	125.0	114.7	172.9
Rate (percentage of labor force)	9.2	8.7	12.1			
Rate, seasonally adjusted	9.2	9.1	12.5			
Civilian labor force, no. of persons (thous.)	5,317.	5,429.	5,443.	103.3	104.7	105.8
Initial claims for unemployment benefits	117,950.	105,454.	143,278.	87.0	86.0	117.3

Consumer Prices, all items	Urban Indexes (1967 = 100) 1984 Apr.	1984 May	1983 May	Percentage Change Month Ago	Year Ago
U.S. city average	308.8	309.7	297.1	+0.3	+4.2
Philadelphia	298.2	298.7	284.3	+0.2	+5.1
Pittsburgh	318.6	n.a.	305.2†	n.a.	+4.4
Northeast PA	n.a.	294.7	281.7	n.a.	+4.6

NOTES: Data on employment have been revised to first quarter 1983 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for Apr. 1983 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

increased in May while the volatile nonbuilding awards declined. However, among the three major structure classes, nonbuilding construction had the largest percentage increase in the five-month cumulative total value of awards over the value in the same period last year: nonbuilding awards increased 76 percent, commercial building awards rose 59 percent, and housing awards were up by a third.

The western half of the state saw the greatest percentage increase in nonbuilding and residential building awards while the eastern half saw the greatest percentage rise in nonresidential building awards.

General industrial activity, as measured by sales of electricity to industrial users, has improved considerably since the end of the recession. The seasonally adjusted level of industrial electric power sales rose 3.5 percent in May, registering its highest level since October 1981 and totalling 22.4 percent more than the recession low in December 1982.

The steel industry, one of the state's major users of electrical power, was producing a seasonally adjusted 47,600 net tons of steel a day in May. That is only 62 percent of the amount of steel put out daily in 1979. However, it compares favorably to 20,400 net tons a day in December 1982.

In May, Pennsylvania's steel mills accounted for 17.3 percent of all steel produced in the nation. That is up from 17.1 percent in April but is still well below the more than 20 percent share of production the state held before the most recent recession.

The leading index for the Pennsylvania economy rose in May, after falling in March and remaining unchanged in April.

Two of the three components of the index, residential building contract awards and initial claims for unemployment compensation, contributed to the rise. The third component, average weekly hours worked by production workers in manufacturing industries, fell back slightly.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
October, 1983	102.4	88.6	−0.1	+0.9
November	102.7	89.3	+0.3	+0.8
December	103.1	89.3	+0.4	0.0
January, 1984	103.1	89.5	0.0	+0.2
February	104.3	89.6	+1.2	+0.1
March	104.0	89.3	−0.3	−0.3
April	104.0	89.3	0.0	0.0
May	104.5	89.7	+0.5	+0.4

Nevertheless, the relatively long length of the factory workweek and the low level of new claims show the state's economy to be in a good position for further expansion. Furthermore, the state will benefit from the capital spending growth that is taking shape.

Capital spending plans are increasing despite the steady rise in interest rates because of other forces in the economy. These include continued increases in demand, which are beginning to put strains on industrial capacity; generous depreciation allowances created by the 1981 tax law, which in effect provide a subsidy to businesses that invest; low inflation, which makes investment more profitable; and stiff foreign competition, which is forcing companies to invest in equipment that will improve their productivity.

The state's economy will continue to shift from its substantial reliance on manufacturing toward a greater dependence on service industries. But the significant role of heavy manufacturing in Pennsylvania's economy, which caused higher unemployment in the state relative to the nation and a lagging economic recovery, may now give the the state's economy an extra boost.

— Norma I. Gavin

Joblessness Increases in First Quarter

Fewer Pennsylvanians were employed in the first quarter of this year compared to the fourth quarter of last year. This was true for all major population groups in the state, with women having the smallest percentage decline and blacks the largest.

The decline in total employment was matched by an almost equal percentage decline in the civilian labor force while the number of unemployed state residents seeking jobs was little changed. This brought the unemployment rate up to 10.2 percent from 9.8 percent in the previous quarter.

The civilian labor force declined for all major population groups. For women and teenagers, the declines in the labor force were matched by equal percentage declines in unemployment, leaving the jobless rates for these two groups unchanged. The rates for all other groups rose from the previous quarter.

However, increases in joblessness are typical for the first of the year. After adjustment for regular seasonal variation, the number of unemployed workers fell. This drop brought the seasonally adjusted jobless rate down 1.4 percentage points to 9 percent — the lowest quarterly rate since the third quarter of 1981.

The male jobless rate remained above the female rate in the first quarter. Because the female rate was unchanged, the male-female differential increased to 2.4 percentage points from the 1.6 percentage-point differential in the fourth quarter. Nevertheless, it remained substantially below the 7.8 percentage-point differential in the first quarter of 1983.

The higher unemployment of men relative to women is in contrast to historical trends and results from greater relative recession impacts on the industries where men predominate, such as manufacturing and mining, as well as from changes in the commitment of women to the labor force.[1] Data suggest that women are less likely than they were to interrupt their careers for childbearing and child rearing and thus lose job seniority — important

Employment Data by Sex, Race, and Age — Pennsylvania and the United States

	Number Employed	Percentage Change in Employment		Labor Force Unemployment Rates			Participation Rates		
	1984 I (in thousands)	Over Quarter	Over Year	1984 I	1983 IV	1983 I	1984 I	1983 IV	1983 I
Pennsylvania									
Total, seasonally adjusted	4,924	-0.7	—	9.0	10.4	13.1	58.8	60.2	59.4
Total, unadjusted	4,791	-4.3	4.3	10.2	9.8	14.3	58.2	60.6	58.6
Male	2,722	-4.7	4.9	11.3	10.5	17.5	70.7	72.9	72.8
Female	2,069	-3.8	3.5	8.9	8.9	9.7	46.6	49.3	45.9
White	4,457	-4.2	5.6	9.3	9.2	13.0	58.7	60.8	58.7
Black	304	-8.2	-8.2	21.7	18.5	28.1	50.2	57.2	56.8
16-19 years old	269	-3.9	8.0	21.8	21.8	24.4	44.6	49.0	43.4
United States									
Total, seasonally adjusted	103,740	1.2	—	7.9	8.5	10.4	64.1	64.0	63.8
Total, unadjusted	102,000	-0.8	4.6	8.4	8.2	11.2	63.4	64.0	63.3
Male	57,180	-0.9	4.9	8.9	8.3	12.1	75.3	75.9	75.4
Female	44,820	-0.7	4.2	7.9	8.0	10.0	52.7	53.3	52.3
White	89,870	-0.9	4.6	7.4	7.1	10.0	63.8	64.4	63.6
Black	9,669	1.0	6.8	16.7	17.3	20.6	60.4	60.7	60.6
16-19 years old	5,737	-5.7	2.1	20.6	20.4	24.6	48.4	50.7	48.1

SOURCE: Current Population Surveys, Bureau of Labor Statistics, U.S. Department of Labor

NOTES: The unemployment rate is the percentage obtained when the number of unemployed is divided by the number in the civilian labor force, and the labor force participation rate is the percentage obtained when the number in the civilian labor force is divided by the number in the civilian, noninstitutionalized population. Unless otherwise indicated, the data are not seasonally adjusted.

in determining who is laid off in economic downturns.

But although there have been reductions in industry-specific male-female unemployment rate differentials, women's unemployment rates still exceed those of men in most industry groups.

Blacks and teenagers continue to have the highest unemployment rates in the state. One out of every five labor force participants in these groups were unable to find work in the first quarter. This compares to one out of every ten white adult participants.

Over the year, the job picture in the state improved considerably. Total employment grew 4.3 percent, and the unemployment rate was down 4.1 percentage points from the 13.1 percent high in the first quarter of 1983.

Nevertheless, employment increases and labor force participation continue to be smaller and unemployment continues to be higher in the state than in the nation.

— Norma I. Gavin

[1] Sigurd R. Nilsen, "Recessionary Impacts on the Unemployment of Men and Women," *Monthly Labor Review*, May 1984, pp. 21-25.

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